

Additional Subchapter V Bankruptcy Relief Included In C.A.R.E.S. Act

The Small Business Reorganization Act of 2019 (SBRA), which became effective on February, 19, 2020, created a new subchapter V of Chapter 11 of the U.S. Bankruptcy Code for small business and individual debtors with \$2,725,625 or less in debt. Subchapter V streamlines the Chapter 11 process, providing for quick confirmation at lower cost and, in certain instances, the ability to confirm a plan of reorganization over creditors' objections notwithstanding the absolute priority rule in regular Chapter 11 cases.

Not only does subchapter V present an attractive alternative to new small business debtors, but a growing number of courts across the country have rendered opinions holding that cases that are already proceeding under a regular Chapter 11 may elect to proceed under subchapter V instead.

Most recently, the Coronavirus Aid, Relief and Economic Security Act (CARES Act), which became effective on March 27, 2020, significantly expands the availability of subchapter V by raising the debt limit from \$2,725,625 to \$7,500,000 for the one year following its March 27, 2020 enactment after which the debt limit will revert to \$2,725,625.

In addition to amending the SBRA, the CARES Act also offers enhanced relief to individual Chapter 7 (liquidation) and Chapter 13 (individual reorganization) debtors by allowing for the exclusion of certain coronavirus related payments from income calculations in bankruptcy.

Gordon Arata Montgomery Barnett routinely assists clients as they face the myriad of insolvency, restructuring and creditors' rights issues. Our Bankruptcy, Restructuring & Creditors' Rights practice group is available to discuss your individual needs and concerns.